

CITY OF CARTER LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2021

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City of Carter Lake

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Cumberledge	Mayor	January 2022
Jacleen Wahl	Council Member	January 2022
Jason Gundersen	Council Member	January 2022
Keebie Kessler	Council Member	January 2024
Pat Paterson	Council Member	January 2024
Denise Teeple	Council Member	January 2024
Jackie Carl	Clerk/Treasurer	January 2022
Lisa Ruehle	Deputy Clerk	Indefinite
Michael O'Bradovich	Attorney	January 2022



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

January 6, 2022

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carter Lake, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

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January 6, 2022
City of Carter Lake
Independent Auditors' Report

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carter Lake as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Carter Lake's basic financial statements. We previously audited the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 26 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued

January 6, 2022
City of Carter Lake
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022 on our consideration of the City of Carter Lake's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carter Lake's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Schroer & Associates, P.C.".

Schroer & Associates, P.C.
Council Bluffs, Iowa

City of Carter Lake
Basic Financial Statements

City of Carter Lake
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2021

		Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 1,311,448	101,325	23,204	-	(1,186,919)	-	(1,186,919)
Public works	427,592	19,724	566,471	-	158,603	-	158,603
Health and social services	935	-	-	-	(935)	-	(935)
Culture and recreation	567,827	15,758	20,257	-	(531,812)	-	(531,812)
Community and economic development	438,706	-	-	-	(438,706)	-	(438,706)
General government	408,524	13,174	123,099	-	(272,251)	-	(272,251)
Debt service	551,113	-	-	-	(551,113)	-	(551,113)
Capital projects	83,500	-	-	3,048	(80,452)	-	(80,452)
Total governmental activities	3,789,645	149,981	733,031	3,048	(2,903,585)	-	(2,903,585)
Business type activities:							
Water	656,254	729,863	-	-	-	73,609	73,609
Sewer	1,165,676	694,490	-	-	-	(471,186)	(471,186)
Garbage	166,186	117,192	-	-	-	(48,994)	(48,994)
Storm sewer	4,945	-	-	-	-	(4,945)	(4,945)
Village post office	12,961	14,878	-	-	-	1,917	1,917
Total business type activities	2,006,022	1,556,423	-	-	-	(449,599)	(449,599)
Total	\$ 5,795,667	1,706,404	733,031	3,048	(2,903,585)	(449,599)	(3,353,184)
General Receipts:							
Property and other city tax levied for:							
General purposes					1,748,329	-	1,748,329
Employee benefits					267,380	-	267,380
Debt service					244,903	-	244,903
Tax increment financing					218,523	-	218,523
Local option sales tax					662,526	-	662,526
Casino income					610,000	-	610,000
Grants and contributions not restricted to specific purpose					1,293	-	1,293
Commercial/industrial tax replacement					81,268	-	81,268
Unrestricted interest on investments					40,360	-	40,360
Note proceeds					4,309,015	-	4,309,015
Escrow payments for debt refunding					(2,134,648)	-	(2,134,648)
Transfers					(25,000)	25,000	-
Total general receipts					6,023,949	25,000	6,048,949
Change in cash basis net position					3,120,364	(424,599)	2,695,765
Cash basis net position beginning of year					8,147,600	2,497,729	10,645,329
Cash basis net position end of year					\$ 11,267,964	2,073,130	13,341,094
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 580,612	-	580,612
Tax increment financing					2,018,092	-	2,018,092
Capital projects					4,756,812	-	4,756,812
Other purposes					308,389	-	308,389
Unrestricted					3,604,059	2,073,130	5,677,189
Total cash basis net position					\$ 11,267,964	2,073,130	13,341,094

See notes to financial statements.

City of Carter Lake
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2021

		Special Revenue				Other	
	General	Road Use Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Receipts:							
Property tax	\$ 1,422,571	-	-	239,292	-	261,026	1,922,889
Tax increment financing	-	-	218,523	-	-	-	218,523
Other city tax	749,522	-	-	5,611	-	245,116	1,000,249
Licenses and permits	20,965	-	-	-	-	-	20,965
Use of money and property	52,031	-	-	-	-	520	52,551
Intergovernmental	162,410	566,471	-	9,744	3,048	11,030	752,703
Charges for service	82,288	-	-	-	-	3,950	86,238
Special assessments	2,944	-	-	-	-	-	2,944
Miscellaneous	695,753	-	-	-	-	7,827	703,580
Total receipts	3,188,484	566,471	218,523	254,647	3,048	529,469	4,760,642
Disbursements:							
Operating:							
Public safety	1,034,019	-	-	-	-	277,429	1,311,448
Public works	1,501	426,091	-	-	-	-	427,592
Health and social services	935	-	-	-	-	-	935
Culture and recreation	506,314	-	-	-	-	61,513	567,827
Community and economic development	-	-	438,706	-	-	-	438,706
General government	356,215	-	-	-	-	52,309	408,524
Debt service	-	-	-	551,113	-	-	551,113
Capital projects	-	-	-	-	83,500	-	83,500
Total disbursements	1,898,984	426,091	438,706	551,113	83,500	391,251	3,789,645
Excess (deficiency) of receipts over (under) disbursements	1,289,500	140,380	(220,183)	(296,466)	(80,452)	138,218	970,997
Other financing sources (uses):							
Note proceeds	-	-	-	2,200,000	2,109,015	-	4,309,015
Escrow payments for refunding notes	-	-	-	(2,134,648)	-	-	(2,134,648)
Operating transfers in	-	-	-	238,762	2,668,000	-	2,906,762
Operating transfers out	(2,693,000)	-	-	-	-	(238,762)	(2,931,762)
Total other financing sources (uses)	(2,693,000)	-	-	304,114	4,777,015	(238,762)	2,149,367
Change in cash balances	(1,403,500)	140,380	(220,183)	7,648	4,696,563	(100,544)	3,120,364
Cash balances beginning of year	5,011,015	440,232	2,238,275	(11,104)	60,249	408,933	8,147,600
Cash balances end of year	\$ 3,607,515	580,612	2,018,092	(3,456)	4,756,812	308,389	11,267,964
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	580,612	-	-	-	-	580,612
Tax increment financing	-	-	2,018,092	-	-	-	2,018,092
Capital projects	-	-	-	-	4,756,812	-	4,756,812
Other purposes	-	-	-	-	-	308,389	308,389
Assigned for projects	2,302,496	-	-	-	-	-	2,302,496
Unassigned	1,305,019	-	-	(3,456)	-	-	1,301,563
Total cash basis fund balances	\$ 3,607,515	580,612	2,018,092	(3,456)	4,756,812	308,389	11,267,964

See notes to financial statements.

City of Carter Lake
Statement of Cash Receipts, Disbursements and Changes in Cash Balances -
Proprietary Funds
As of and for the year ended June 30, 2021

	Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Total
Operating receipts:				
Charges for service	\$ 715,239	693,890	132,070	1,541,199
Miscellaneous	14,624	600	-	15,224
Total operating receipts	729,863	694,490	132,070	1,556,423
Operating disbursements:				
Business type activities	656,254	815,934	184,092	1,656,280
Excess (deficiency) of operating receipts over (under) operating disbursements	73,609	(121,444)	(52,022)	(99,857)
Non-operating disbursements:				
Capital projects	-	(349,742)	-	(349,742)
Excess (deficiency) of receipts over (under) disbursements	73,609	(471,186)	(52,022)	(449,599)
Transfers in	-	-	25,000	25,000
Change in cash balances	73,609	(471,186)	(27,022)	(424,599)
Cash balances beginning of year	1,641,937	786,752	69,040	2,497,729
Cash balances end of year	\$ 1,715,546	315,566	42,018	2,073,130
Cash Basis Fund Balances				
Unrestricted	\$ 1,715,546	315,566	42,018	2,073,130

See notes to financial statements.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies

The City of Carter Lake is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1930 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, storm sewer utilities and a Village Post Office for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carter Lake has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City (primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit

The Carter Lake Smoke Eaters is legally separate from the City but is so intertwined with the City that it is in substance, the same as the City. It is reported as part of the City and blended into Special Revenue Funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Pottawattamie County Assessor's Conference Board and the Pottawattamie County Joint E911 Service Board.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general and local option sales tax long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Carter Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceed the amounts budgeted in the debt service, capital projects and business type activities functions.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation debt	\$ 2,915,000	4,200,000	2,325,000	4,790,000	515,000

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Capital Loan Issued Mar 31, 2015			Capital Loan Issued March 31, 2015					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest			
2022	2.00%	\$ 120,000	2,400	2.00%	\$ 155,000	11,000			
2023	-	-	-	2.00%	155,000	7,900			
2024	-	-	-	2.00%	160,000	4,800			
2025	-	-	-	-	-	-			
2026	-	-	-	-	-	-			
2027-2031	-	-	-	-	-	-			
2032	-	-	-	-	-	-			
		\$ 120,000	2,400		\$ 470,000	23,700			

Year Ending June 30,	Capital Loan Issued Jun 1, 2021			Capital Loan Issued Jun 1, 2021			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	0.27%	\$ 240,000	20,444	2.00%	\$ -	40,000	\$ 515,000	73,844	588,844
2023	0.38%	245,000	19,796	2.00%	-	40,000	400,000	67,696	467,696
2024	0.57%	245,000	18,865	2.00%	-	40,000	405,000	63,665	468,665
2025	0.87%	415,000	17,468	2.00%	-	40,000	415,000	57,468	472,468
2026	1.12%	415,000	13,858	2.00%	-	40,000	415,000	53,858	468,858
2027-2031	1.36-1.59%	640,000	12,708	2.00%	1,540,000	161,100	2,180,000	173,808	2,353,808
2032	-	-	-	2.00%	460,000	9,200	460,000	9,200	469,200
		\$ 2,200,000	103,139		\$ 2,000,000	370,300	\$ 4,790,000	499,539	5,289,539

On March 31, 2015, the City issued a \$775,000 general obligation capital loan note with an interest rate of 2.00% per annum. The note was issued for essential corporate purpose. During the year ended June 30, 2021, the City paid \$115,000 of principal and \$4,700 of interest on the note.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (3) Bonds and Notes Payable - Continued

General Obligation Bonds - Continued

On March 31, 2015, the City issued \$3,260,000 of general obligation capital loan refunding notes with interest rates ranging from 2.00 to 4.00% per annum. During the year ended June 30, 2021, the City paid \$150,000 of principal and \$87,163 of interest on the notes. In addition, on June 1, 2021, the City placed refunding bond proceeds of \$2,134,648 in an escrow fund to advance debt refund \$1,935,000 of bond proceeds when the bonds become callable on June 1, 2024. The economic gain from the advance debt refunding was \$169,084 (difference between the present value of the debt service payments on the old and the new debt). The balance in escrow is not included in these financial statements.

On June 1, 2016, the City issued a \$620,000 general obligation capital loan note with an interest rate of 2.00% per annum. The note was issued for essential corporate purpose. During the year ended June 30, 2021, the City paid \$125,000 of principal and \$2,500 of interest on the note.

On June 1, 2021, the City issued \$2,200,000 general obligation local option sales and services tax refunding capital loan notes with interest rates ranging from 0.27% to 1.59% for the purpose of refunding the general obligation local option sales and services capital loan notes issued March 31, 2015. No principal or interest was paid on the notes during the year ended June 30, 2021.

On June 1, 2021, the City issued \$2,000,000 general obligation local option sales and services tax capital loan notes with an interest rate of 2%. The notes were issued for the purpose of constructing a new community center. No principal or interest was paid on the notes during the year ended June 30, 2021.

Interest costs paid during the year ended June 30, 2021 totaled \$94,362.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$26 million which was not exceeded during the year ended June 30, 2021.

NOTE (4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

Note (4) Pension Plan – Continued

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (4) Pension Plan – Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$121,772.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City's liability for its proportionate share of the net pension liability totaled \$581,702. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0082808%, which was an increase of 0.00139% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$160,551, \$220,419 and \$108,804 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study date June 28, 2018.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (4) Pension Plan – Continued

Actuarial Assumptions – Continued

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (4) Pension Plan – Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,315,185	\$ 581,702	\$ (32,863)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2021, primarily relating to the General Fund and Proprietary Funds are as follows:

Type of Benefit	Amount
Vacation	\$ 75,000
Sick leave	81,000
Compensatory time	18,000
	<u>\$ 174,000</u>

This liability is computed on rates of pay effective as of June 30, 2021.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2021 were \$95,839.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (6) Risk Management - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Local Option Sales Tax	238,762
Capital Projects	General	2,668,000
Enterprise: Garbage	General	<u>25,000</u>
		<u>\$ 2,931,762</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (8) Deficit Fund Balance

At June 30, 2021, the City had a deficit fund balance of \$3,456 in the Debt Service Fund and \$1,639 in the Enterprise, Garbage Fund. The City will eliminate the deficits with property tax receipts and user fees.

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (9) Development and Rebate Agreements

In accordance with the fiscal year 2014 development and rebate agreement, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated up to project costs of \$4,000,000 for a period not to exceed fifteen years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2021, the City paid the developer \$223,596.

In accordance with the fiscal year 2017 development and rebate agreements, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated up to project costs of \$1,200,000 and \$1,300,000 for a period not to exceed fifteen years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2021, the City paid the developers \$215,110.

NOTE (10) Tax Abatements

Governmental Accounting Standards Board (GASB) Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City entered into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, there were no property taxes diverted from the City under the urban renewal and economic development agreements.

NOTE (11) Construction Commitments

At June 30, 2021, the City had the following construction commitments:

<u>Project</u>	<u>Contract Amounts</u>	<u>Paid to Date</u>	<u>Remaining</u>
Sewer Relining			
Engineer	\$ 301,868	\$ 53,290	\$ 248,578
Construction	2,359,554	-	2,359,554
Community Center			
Engineers	\$ 316,105	\$ 35,445	\$ 280,660
			\$ 2,888,792

City of Carter Lake
Notes to Financial Statements
June 30, 2021

NOTE (12) Subsequent Event

In September 2021, the City signed a construction contract for \$4,285,650 for a new community center.

NOTE (13) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of City of Carter Lake, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of City of Carter Lake. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to City of Carter Lake.

NOTE (14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, *Leases*. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Carter Lake
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts	Budget to Net Variance
Receipts:						
Property tax	\$ 1,922,889	-	-	1,922,889	2,052,298	(129,409)
Tax increment financing collections	218,523	-	-	218,523	25,000	193,523
Other city tax	1,000,249	-	-	1,000,249	1,283,996	(283,747)
Licenses and permits	20,965	-	-	20,965	34,000	(13,035)
Use of money and property	52,551	-	-	52,551	80,500	(27,949)
Intergovernmental	752,703	-	-	752,703	624,869	127,834
Charges for service	86,238	1,541,199	519	1,626,918	1,631,850	(4,932)
Special assessments	2,944	-	-	2,944	-	2,944
Miscellaneous	703,580	15,224	7,827	710,977	831,200	(120,223)
Total receipts	4,760,642	1,556,423	8,346	6,308,719	6,563,713	(254,994)
Disbursements:						
Public safety	1,311,448	-	12,995	1,298,453	1,432,376	133,923
Public works	427,592	-	-	427,592	532,647	105,055
Health and social services	935	-	-	935	4,000	3,065
Culture and recreation	567,827	-	-	567,827	757,645	189,818
Community and economic development	438,706	-	-	438,706	443,000	4,294
General government	408,524	-	-	408,524	473,898	65,374
Debt service	551,113	-	-	551,113	487,112	(64,001)
Capital projects	83,500	-	-	83,500	5,000	(78,500)
Business type activities	-	2,006,022	-	2,006,022	1,983,091	(22,931)
Total disbursements	3,789,645	2,006,022	12,995	5,782,672	6,118,769	336,097
Excess (deficiency) of receipts over (under) disbursements	970,997	(449,599)	(4,649)	526,047	444,944	81,103
Other financing sources, net	2,149,367	25,000	-	2,174,367	-	2,174,367
Change in balances	3,120,364	(424,599)	(4,649)	2,700,414	444,944	2,255,470
Balances beginning of year	8,147,600	2,497,729	35,016	10,610,313	10,629,037	(18,724)
Balances end of year	\$ 11,267,964	2,073,130	30,367	13,310,727	11,073,981	2,236,746

See accompanying independent auditors' report.

City of Carter Lake
Notes to Other Information – Budgetary Reporting
June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the debt service, capital projects and business type activities functions.

City of Carter Lake
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Seven Years
(In Thousands)
Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006891%	0.006891%	0.007510%	0.008609%	0.009765%	0.009615%	0.008431%
City's proportionate share of the net pension liability	\$ 582	399	475	573	615	475	334
City's covered payroll	\$ 1,219	1,231	1,114	1,182	1,228	1,294	1,284
City's proportionate share of the net pension liability as a percentage of its covered payroll	47.74%	32.41%	42.64%	48.48%	50.08%	36.71%	26.01%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report

City of Carter Lake
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)
Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 122	118	121	104	111	115	122	121	125	115
Contributions in relation to the statutorily required contribution	122	118	121	104	111	115	122	121	125	115
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 1,278	1,219	1,231	1,114	1,182	1,228	1,294	1,284	1,344	1,308
Contributions as a percentage of covered payroll	9.53%	9.68%	9.84%	9.38%	9.37%	9.35%	9.43%	9.42%	9.28%	8.81%

See accompanying independent auditors' report

City of Carter Lake
Notes to Other Information – Pension Liability
Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2020 valuation implemented the following refinements as a result of demographic assumption study dated June 28, 2020:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Supplementary Information

City of Carter Lake
Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2021

	Special Revenue				Total
	Local Option Sales Tax	Employee Benefits	Police Forfeitures	Carter Lake Smoke Eaters	
Receipts:					
Property tax	\$ -	261,026	-	-	261,026
Other city tax	238,762	6,354	-	-	245,116
Use of money and property	-	-	1	519	520
Intergovernmental	-	11,030	-	-	11,030
Charges for services	-	-	3,950	-	3,950
Miscellaneous	-	-	-	7,827	7,827
Total receipts	238,762	278,410	3,951	8,346	529,469
Disbursements:					
Operating:					
Public safety	-	255,132	9,302	12,995	277,429
Culture and recreation	-	61,513	-	-	61,513
General government	-	52,309	-	-	52,309
Total disbursements	-	368,954	9,302	12,995	391,251
Excess (deficiency) of receipts over (under) disbursements	238,762	(90,544)	(5,351)	(4,649)	138,218
Other financing uses:					
Operating transfers out	(238,762)	-	-	-	(238,762)
Total other financing uses	(238,762)	-	-	-	(238,762)
Change in cash balances	-	(90,544)	(5,351)	(4,649)	(100,544)
Cash balances beginning of year	-	354,805	19,112	35,016	408,933
Cash balances end of year	\$ -	264,261	13,761	30,367	308,389
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	264,261	13,761	30,367	308,389

See accompanying independent auditors' report.

City of Carter Lake
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2021

	Storm Water	Lake	Sewer Lining	Community Center	Total
Receipts:					
Intergovernmental	\$ -	-	3,048	-	3,048
Disbursements:					
Capital projects	-	-	-	83,500	83,500
Excess (deficiency) of receipts over (under) disbursements	-	-	3,048	(83,500)	(80,452)
Other financing sources:					
Note proceeds	-	-	-	2,109,015	2,109,015
Operating transfers in	-	-	1,828,000	840,000	2,668,000
Total other financing sources	-	-	1,828,000	2,949,015	4,777,015
Change in cash balances	-	-	1,831,048	2,865,515	4,696,563
Cash balances beginning of year	20,249	40,000	-	-	60,249
Cash balances end of year	\$ 20,249	40,000	1,831,048	2,865,515	4,756,812
Cash Basis Fund Balances					
Restricted for capital projects	\$ 20,249	40,000	1,831,048	2,865,515	4,756,812

See accompanying independent auditors' report.

City of Carter Lake
Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Nonmajor Proprietary Funds
As of and for the year ended June 30, 2021

	Enterprise Funds			
	Garbage	Storm Sewer	Village Post Office	Total
Operating receipts:				
Charges for service	\$ 117,192	-	14,878	132,070
Operating disbursements:				
Business type activities	166,186	4,945	12,961	184,092
Excess (deficiency) of operating receipts over (under) operating disbursements	(48,994)	(4,945)	1,917	(52,022)
Transfers in	25,000	-	-	25,000
Change in cash balances	(23,994)	(4,945)	1,917	(27,022)
Cash balances beginning of year	22,355	43,007	3,678	69,040
Cash balances end of year	\$ (1,639)	38,062	5,595	42,018
Cash Basis Fund Balances				
Unrestricted	\$ (1,639)	38,062	5,595	42,018

See accompanying independent auditors' report.

City of Carter Lake
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 1,922,889	1,432,822	1,624,888	1,616,411	1,642,570	1,696,032	1,629,634	1,585,241	1,506,200	1,474,829
Tax increment financing collections	218,523	1,259,844	1,668,364	710,530	581,727	412,440	413,700	372,163	574,767	1,058,673
Other city tax	1,000,249	1,358,782	1,322,022	1,319,869	1,061,153	997,532	1,025,116	971,119	984,878	894,542
Licenses and permits	20,965	22,233	42,547	24,154	38,108	79,134	41,494	49,307	30,017	30,298
Use of money and property	52,551	108,225	85,402	94,639	12,804	12,312	12,366	15,284	33,997	37,894
Intergovernmental	752,703	596,994	651,143	580,543	570,685	646,920	1,245,567	683,464	1,307,197	1,278,206
Charges for service	86,238	86,952	91,272	131,269	125,779	117,917	117,326	141,472	107,353	123,256
Special assessments	2,944	2,582	984	378	417	1,297	1,089	1,550	6,697	8,176
Miscellaneous	703,580	673,853	766,825	88,497	158,118	411,008	805,870	244,399	264,389	335,159
Total	\$ 4,760,642	5,542,287	6,253,447	4,566,290	4,191,361	4,374,592	5,292,162	4,063,999	4,815,495	5,241,033
Disbursements:										
Operating:										
Public safety	\$ 1,311,448	1,228,263	1,110,109	1,108,920	1,780,858	1,154,841	1,221,019	1,195,821	1,290,383	1,149,328
Public works	427,592	717,133	452,104	594,328	431,380	432,515	385,319	402,563	408,739	355,473
Health and social services	935	-	-	-	-	-	-	-	-	9,835
Culture and recreation	567,827	601,101	669,009	619,675	615,892	699,649	699,579	752,507	710,323	746,306
Community and economic development	438,706	445,141	33,050	9,742	22,557	106,070	163,358	217,701	600,566	528,421
General government	408,524	396,978	362,178	367,815	335,194	487,413	389,453	426,793	1,146,590	413,717
Debt service	551,113	894,925	899,315	908,585	913,136	1,097,593	864,612	869,284	837,908	4,065,438
Capital projects	83,500	-	-	-	209,539	1,314,031	498,726	408,827	1,032,791	3,120,468
Total	\$ 3,789,645	4,283,541	3,525,765	3,609,065	4,308,556	5,292,112	4,222,066	4,273,496	6,027,300	10,388,986

See accompanying independent auditors' report.

City of Carter Lake



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

January 6, 2022

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carter Lake, Iowa, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 6, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carter Lake's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carter Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carter Lake's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carter Lake's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

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City of Carter Lake
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings as item I-A-21 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carter Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carter Lake's Responses to Findings

City of Carter Lake's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Carter Lake's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carter Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Schroer & Associates, P.C.
Council Bluffs, Iowa

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, preparing bank deposits, and posting of cash receipts to cash receipts journal. One individual does the bank reconciling and financial reporting. The procedure to approve bank reconciling was not followed.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review our procedures.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting:

II-A-21 Certified Budget

Comment - Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the debt service, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable. We intended to amend the budget, but the newspaper did not publish the notice of the hearing.

Conclusion – Response accepted.

II-B-21 Entertainment Expense

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-21 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-21 Business Transactions

We noted no business transactions between the City and City officials, or employees.

II-E-21 Restricted Donor Activity

No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-21 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting:

II-G-21 Council Minutes

Comment – No transactions were found that we believe should have been approved in the City Council minutes but were not. One disbursement out of the 46 that were tested was not supported by an invoice.

Payroll rates for four employees did not agree with the payroll resolution noted in the minutes.

Chapter 372.13(6) of the Code of Iowa requires that the minutes of all City Council proceedings be published within fifteen days of the meeting. The minutes of City Council proceedings were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 372.13(6) and should ensure all disbursements are supported by an invoice. All changes in payroll rates should be approved by the Council.

Response - We will comply with the Code of Iowa, publish the minutes timely and ensure all support for disbursements is retained. Changes in payroll rates will be approved and documented in the City Council minutes.

Conclusion - Response accepted.

II-H-21 Deposits and Investments

Comment - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

A depository resolution was approved by the City as required by Chapter 12C.2 of the Code of Iowa, however, the depository limit for one depository was exceeded during the year ended June 30, 2021.

Recommendation – The City should approve amounts sufficient to cover anticipated balances at all approved depositories.

Response – We will review our limits.

Conclusion – Response accepted.

II-I-21 Revenue Bonds and Notes

There is no revenue debt.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting:

II-J-21 Excess Balances

Comment – The balances in the Enterprise – Water and Storm Sewer Funds at June 30, 2021, were in excess of each fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – We are maintaining balances in Enterprise Funds for anticipated repairs and to establish a 25% reserve for anticipated annual disbursements. We are reviewing this annually at budget time.

Conclusion – Response accepted.

II-K-21 Financial Condition

Comment – At June 30, 2021, the City had a deficit fund balance of \$3,456 in the Debt Service Fund and \$1,639 in the Enterprise, Garbage Fund

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response – We will monitor these funds closely. We plan on eliminating the deficit in the Debt Service Fund with the collection of property taxes and the deficit in the Garbage Fund with the collection of fees.

Conclusion – Response accepted.

II-L-21 Inactive Capital Projects

Comment – The Capital Projects Fund –Storm Sewer and Lake accounts are inactive.

Recommendation – The City should make the appropriate transfer to close the accounts.

Response – We will do this.

Conclusion – Response accepted.

II-M-21 Annual Urban Renewal Report

The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

City of Carter Lake
Schedule of Findings
Year Ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting:

II-N-21 Electronic Check Retention

Comment – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for various months during the year.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – The bank neglects to send the back of the checks after the bank undergoes a software update. We will review statements monthly to ensure the both images are received.

Conclusion – Response accepted.

II-O-21 Interfund Transfers

Comment – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outline in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

There was no resolution approving transfer of funds from the General Fund to the Capital Projects Fund for \$2,668,000.

Recommendation – The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules.

Response – We will ensure transfer resolutions will include the appropriate calculations and information in the future.

Conclusion – Response accepted.